Financial Statements

The Pension Fund of the Metropolitan Toronto Pension Plan

[Ontario Registration Number 0351577]

December 31, 2012

May 24, 2013

Independent Auditor's Report

To the Board of Trustees of the Metropolitan Toronto Pension Plan

We have audited the accompanying financial statements of the Metropolitan Toronto Pension Plan (the Fund), which comprise the statements of net assets available for benefits as at December 31, 2012 and the statement of changes in net assets available for benefits for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management using the basis of accounting described in note 2.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership

Opinion
In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2012 and the changes in its net assets available for benefits for the year then ended in accordance with the basis of accounting described in note 2.

Basis of accounting
Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Board of Trustees of the Metropolitan Toronto Pension Plan (the Trustees) to meet the requirements of the Financial Services Commission of Ontario (FSCO). As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Trustees of the Fund and FSCO and should not be used by parties other than the Trustees of the Fund or FSCO.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

The Pension Fund of the Metropolitan Toronto Pension Plan

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31	2012 $	2011 $
Assets		
Cash and cash equivalents	20,999,066	14,155,583
Investments *[note 3]*	481,399,982	504,131,298
Investment related receivables		
Pending investment transactions receivable	949,390	333,214
Interest	1,626,243	2,186,633
Dividends	277,589	359,759
Other accounts receivable (net of Allowance for Doubtful Accounts)	124,224	223,158
	505,376,494	521,389,645
Liabilities		
Accounts and benefits payable	319,263	589,996
Pending investment transaction payable	273,912	841,023
	593,175	1,431,019
Net assets available for benefits	504,783,319	519,958,626

The accompaning notes are an integral part of the financial statements

On behalf of the Plan Adminstrator:

Chair

City Treasurer

The Pension Fund of the Metropolitan Toronto Pension Plan

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31	2012 $	2011 $
Increases in Net Assets Available for Benefits		
Investment income		
Interest	9,650,070	10,783,419
Dividends	6,393,687	6,022,163
Securities Lending Income *[note 3d]*	34,136	40,888
Net realized gains on sale of investments	—	15,740,508
Net change in unrealized gain on investments	30,257,911	—
Other income	—	74,076
Total increase in net assets	**46,335,804**	**32,661,054**
Decreases in Net Assets Available for Benefits		
Pension benefits - member	37,922,328	41,679,719
Pension benefits - survivor	14,079,988	13,907,048
Administrative expenses *[note 6]*	949,170	962,701
Transaction costs	22,097	66,085
Net change in unrealized loss on investments	—	19,318,578
Net realized loss on sale of investments	8,537,528	—
Total decrease in net assets	**61,511,111**	**75,934,131**
(Decrease) in net assets available for benefits for the year	**(15,175,307)**	**(43,273,077)**
Net assets available for benefits, beginning of year	519,958,626	563,231,703
Net assets available for benefits, end of year	**504,783,319**	**519,958,626**

The accompanying notes are an integral part of the financial statements

The Pension Fund of The Metropolitan Toronto Pension Plan

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

General

The following description of The Metropolitan Toronto Pension Fund [the "Fund"] is a summary only. For more complete information reference should be made to By-law No. 181-81 as amended.

The Fund is registered under the Pension Benefits Act, R.S.O.1990, Registration Number 0351577. The general administration and regulations pertaining to the Fund are governed by a By-law enacted by the former Municipality of Metropolitan Toronto and subsequently by the City of Toronto [the "City"] upon amalgamation.

The Fund is a contributory defined benefit pension plan established in 1956 covering all eligible permanent employees of the former Municipality of Metropolitan Toronto hired prior to July 1, 1968. From that date, pensions for new employees must be provided through the Ontario Municipal Employees Retirement System.

Funding policy

The Pension Benefits Act of Ontario requires that the City of Toronto (as the Fund sponsor) fund the benefits determined under the Fund. The determination of the value of these benefits is made on the basis of an annual actuarial valuation. Since the Fund is in a solvency surplus (see Note 8), special contributions are not required.

Service pension

The normal retirement age is 65 years for all members except firefighters, whose retirement age is 60 years. The normal retirement pension is calculated using the member's years of credited service, to a maximum of 35 years, multiplied by 2% of the highest average annual contributory earnings over a period of 60 consecutive months.

Disability pension

A disability pension is available at any age. The amount of the disability pension is the pension earned to the date of retirement.

Survivor pension

A survivor pension is paid to an eligible spouse, as defined in the By-law, a dependent child, or, under certain limited circumstances, a named dependent of a member.

Death refund

A death refund is payable to the estate of a pensioner or survivor where pensions have not been equivalent to the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a contributor where no survivor pension is payable.

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These pension funds financial statements have been prepared in accordance with Canadian generally accepted accounting principles for pension plans - Part IV of the CICA Handbook – except for the recognition and disclosure of pension obligations of the Fund. These financial statements differ materially from financial statements prepared in accordance with Canadian accounting standards for pension plans as they exclude the recognition and disclosure of the pension obligation of the Fund and do not purport to show the adequacy of the Fund's assets to meet its pension obligations. These financial statements have been prepared to assist in meeting the financial reporting requirements of the pension regulator.

These financial statements are prepared on a going concern basis and present the information of the Fund as a separate reporting entity independent of the sponsor and Fund members. The Fund applies Canadian accounting standards for private enterprises in Part II of the Canadian Institute of Chartered Accountants Handbook – Accounting for its accounting policies not related to its investment portfolio.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments that are subject to insignificant changes in value and are readily convertible into known amounts of cash. Cash equivalents comprise financial assets with maturities of three months or less from the date of acquisition. These investments are subsequently measured at amortized cost.

Income taxes

The Fund is a Registered Pension Trust as defined in the Income Tax Act (Canada) and, as such, is not subject to income taxes. Certain foreign income may be subject to withholding tax.

Investment assets and liabilities

Investment assets and liabilities are recorded at fair value in accordance with IFRS 13, Fair Value Measurement. Purchases and sales of investments are recorded as of the trade date. (the date on which the substantial risks and rewards have been transferred). Transactions that have not settled are reflected in the Statement of net assets available for benefits as pending investment transactions receivable/payable. The change in the fair value of the investments during the year is reflected in the statements of changes in net assets available for benefits.

The method used to determine fair value for each category of investment assets and liabilities is explained below.

Fair values of investments are determined as follows:

NOTES TO FINANCIAL STATEMENTS

[a] Equity instruments are normally valued at the closing price on the stock exchange where listed or at the previous day's closing if the security did not trade on the valuation date. Unlisted shares are recorded at values reflecting the most reliable quotation then available.

[b] Bonds and debentures are valued at closing quotations from Canadian investment dealers. Unlisted debt instruments are recorded at values reflecting current market yields of similar debt obligations.

[c] Mutual, pooled and segregated funds are valued using the unit values supplied by the fund manager, which reflects the fund's proportionate share of underlying net assets at fair values determined using closing prices.

[d] Short-term investments are valued at cost plus accrued income, which approximates fair value.

Investment Income recognition

Gains or losses on the sale of investments are determined based on an average cost of the investments sold and are recorded on the trade date. Interest income on bonds and debentures is recognized on an accrual basis. Dividends are accrued on the ex-dividend date. Distributions from mutual, pooled and segregated funds are recorded when declared by the fund manager. The net change in unrealized gain or loss on investments is calculated as the difference between the unrealized gain or loss on investments at the beginning and end of the fiscal year.

Foreign currency translation

The fair values of foreign currency denominated investments included in the statement of net assets available for benefits are translated in Canadian dollars at year-end rates of exchange. Gains and losses arising from translations are included in the net change in unrealized gain or loss on investments.

Foreign currency denominated transactions, as well as cost amounts, are translated into Canadian dollars at the rates of exchange on the dates of the related transactions.

Benefits

Benefits paid to pensioners are recorded in the period in which they are due. Refunds to estates of deceased members and former members are recorded in the period in which they are paid. Refunds attributable to the current year end but paid after year end are reflected in benefits and other payable.

Administrative expenses

Administrative expenses incurred are paid directly from the Fund and are treated as expenses in the financial statements, with the exception of audit expenses, which are paid directly by the sponsor.

Transaction costs

Transaction costs are not part of the fair value of investments and are expensed as incurred in the statement of changes in net assets available for benefits.

NOTES TO FINANCIAL STATEMENTS

Termination refunds and transfers

When a vested Plan member ceases to be employed by the sponsor, the Plan records a liability to the member on receipt of the signed election form requesting a refund or transfer of assets. The amount of the liability is determined in accordance with the actuarial calculation. The termination refunds or transfers can be made either in cash or transferred to other registered plans.

3. INVESTMENTS

[a] Investments at December 31 consist of the following:

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
	$	$	$	$
Bonds and debentures	232,151,976	219,070,830	258,905,107	240,456,631
Canadian equities	53,776,091	46,050,490	49,418,791	45,578,289
Foreign equities	135,360,100	146,077,429	134,960,213	160,786,493
Pooled equity investment funds	60,111,815	61,110,093	56,246,609	73,861,761
Short-term investments			4,600,578	4,601,798
	481,399,982	472,308,842	504,131,298	525,284,972

[b] Individually significant investments

The fair value or cost of the following individual investments exceeds 1% of the fair value or cost of total Fund investments at December 31, 2012:

Description	Maturity Date	Fair Value $	Cost $
Emerald Canadian Pooled Fund		60,111,815	61,110,093
Government of Canada – 3.0%	01-Dec-2015	11,852,375	11,906,576
Government of Canada – 4.0%	01-Jun-2041	11,375,960	11,349,630
CIBC Banker's Acceptance	31-Jan-2013	9,890,999	9,890,214
Government of Canada – 1.5%	01-Mar-2017	8,294,109	8,259,100
Government of Canada – 2.75%	01-Sep-2016	6,963,666	6,943,439
Government of Canada – 5.0%	01-Jun-2037	6,799,451	6,197,959
Government of Canada – 1.0%	01-Feb-2015	6,298,243	6,273,961
Province of Manitoba – 5.7%	05-Mar-2037	5,371,209	5,199,761
Apple Inc.		5,317,922	1,710,206

[c] Realized gain/(loss) for the year ended December 31 is summarized as follows:

	2012 $	2011 $
Realized Gain/(Loss) on sale of units	(10,550,412)	11,532,492
Distribution Income		
Pooled Equity Funds	2,012,884	4,208,016
Total realized gain/(loss)	(8,537,528)	15,740,508

[d] Securities lending

As at December 31, 2012, $66,827,782 [2011 - $46,659,061] of the Fund's securities were on loan to third parties. Pursuant to a securities lending agreement, the Fund's custodian arranges the loans and the Fund earns a fee. The custodian follows strict lending criteria and over-collateralizes the loans with securities loaned. The Fund does not employ cash collateral in the securities lending program. As at December 31, 2012, $70,545,624 [2011 - $49,546,688] of securities were held as collateral, providing a 5.6% [2012 – 6.2%] cushion against market and credit risk.

4. Financial Risk Management

The Fund's investment activities expose it to a range of financial risks. These risks include market risk [including currency risk, interest rate risk, and other price risk] credit risk and liquidity risk. The Fund's Pension Committee manages these risks in accordance with 'the Act' as defined in the summary of Significant Accounting Policies, applicable regulations and the Fund's Statement of Investment Policies and Procedures.

The allocation of assets among various types of investments and the performance of investments held by the Fund are monitored by the Fund's investment managers on a monthly basis and reviewed by the Pension Committee on a quarterly basis.

The investments of the Fund are managed utilizing a balanced approach. The allowable asset mix range, target allocations, and actual allocations at December 31 are detailed in the following table:

Asset category	Acceptable range	Target	Actual	
			2012	2011
Equity securities	25%-75%	50%	50%	47%
Debt securities	30%-70%	45%	46%	50%
Cash equivalents	0%-30%	5%	4%	3%

Market risk

Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices. The Fund manages risk by investing across a wide variety of asset classes and investment strategies based on risk limits established in the Fund's Statement of Investment Policies and Procedures. Market risk is comprised of the following:

NOTES TO FINANCIAL STATEMENTS

[a] Foreign currency risk

Foreign currency exposure arises from the Fund's holdings of foreign currency-denominated investments. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments. The table below indicates the currencies to which the Fund had significant exposure as at December 31, 2012 December 31, 2011, respectively.

2012

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
United States Dollar	135,733,807	26.89

2011

Currency	Financial Instruments ($)	Percentage of Net Assets (%)
United States Dollar	135,201,600	25.99

As at December 31, 2012 and December 31, 2011, with a change in the United States Dollar relative to the Canadian Dollar by 5%, with all other variables held constant, net assets would have increased or decreased, by approximately $6,786,690 (1.34% of net assets) and $6,760,080 (1.30% of net assets), respectively. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

[b] Interest rate risk

Interest rate risk refers to the effect on fair value or future cash flows of an investment due to fluctuations in interest rates. The Fund's interest bearing investments are exposed to interest rate risk. The most significant exposure to interest is investment in bonds.

NOTES TO FINANCIAL STATEMENTS

	Maturity			
	1 year or less	Over 1 to 5 years	Over 5 to 10 years	Over 10 years
	$	$	$	$
2012				
ASSETS				
Government of Canada, Povincial and other	-	63,993,238	15,147,358	48,292,836
Canadian Corporate bonds	-	50,689,144	16,544,146	37,485,254
Total	-	114,682,382	31,691,504	85,778,090
Effective yield				
Government of Canada, Provincial and other	-	2.8%	4.0%	3.9%
Canadian Corporate bonds	-	3.7%	3.7%	4.9%
2011				
ASSETS				
Government of Canada, Povincial and other	3,635,914	48,366,001	22,023,687	72,319,253
Canadian Corporate bonds	2,507,439	47,687,695	20,451,759	41,913,359
Total	6,143,353	96,053,696	42,475,446	114,232,612
Effective yield				
Government of Canada, Povincial and other	1.1%	1.8%	2.8%	3.3%
Canadian Corporate bonds	1.9%	2.5%	3.3%	4.0%

The following table illustrates the Fund's financial instruments which are exposed to interest rate risk. The table demonstrates the sensitivity of the Fund's net assets to a reasonable possible change in bond yields. The impact was determined using the duration of those financial instruments that are exposed to interest rate risk. Duration measures the sensitivity of the price of financial instruments for every 1% change in interest rates.

NOTES TO FINANCIAL STATEMENTS

2012	Fair value $	Impact of 1% absolute change in bond yields on net assets $
Bonds and debentures	232,151,976	16,908,111

2011	Fair value $	Impact of 1% absolute change in bond yields on net assets $
Bonds and debentures	258,905,107	18,277,308

[c] Other price risk

Price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices [other than those arising from foreign currency or interest rate risk], whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

NOTES TO FINANCIAL STATEMENTS

The following table demonstrates the sensitivity of the Fund's net assets to a 1% absolute change in the fair value of the Fund's investments which are exposed to price risk:

2012	Fair Value $	Impact of 1% absolute change in fair value on net assets $
Canadian equities	53,776,091	537,761
Foreign equities	135,360,100	1,353,601
Pooled equity investment funds	60,111,815	601,118
Total	249,248,006	2,492,480

2011	Fair Value $	Impact of 1% absolute change in fair value on net assets $
Canadian equities	49,418,791	494,188
Foreign equities	134,960,213	1,349,602
Pooled equity investment funds	56,246,609	562,466
Total	240,625,613	2,406,256

Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counter party on its obligations to the Fund. The Fund's investment in fixed income securities are exposed to credit risk. The cost of these investments and other assets represent the maximum credit exposure at the financial date. Credit risk is managed by dealing only with counterparties that the Fund's investment manager believes to be creditworthy having a minimum credit rating of BBB as determined by a recognized credit rating agency and by regular monitoring of credit exposures. Credit exposure to any single counterparty is limited to maximum amounts as specified in the Fund's Statement of Investment Policies and Procedures. The cost of these investments and other assets represent the maximum credit risk exposure at the financial statement date.

	2012 $	2011 $
Cash and cash equivalents	20,999,066	14,155,583
Short- term investments	0	4,600,578
Canadian bonds and debentures	232,151,976	258,905,107
Securities lending	66,827,782	46.659,061
Investment related receivables	2,853,222	2,879,606
Accounts receivable	124,224	223,158
Total	322,956,270	327,423,093

Furthermore, the Fund is restricted by regulations within the Pension Benefits Act of Ontario as to what the Fund may invest in.

Liquidity risk

Liquidity risk is the risk of being unable to settle or meet commitments as they come due. These commitments include payment of the Fund's pension obligations and unfunded investment commitments in private equities. Liquidity risk is managed by ensuring the Fund invests in high quality investments easily disposed of in an active market.

The risk is further managed through the Fund's ongoing monitoring of the individual investment managers and in their ability to liquidate investments in which the Fund has invested.

5. Fair value measurement

The following is a summary of the methods used to determine the fair value of the Fund's financial instruments and an analysis of those investments using the hierarchy set forth in IFRS 7, Financial Instruments - Disclosures. The hierarchy prioritizes the inputs to fair value measurement, placing the highest priority on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to inputs not based on observable market data (Level 3). The three levels of the fair value hierarchy are:

Level 1: Fair value is based on quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.

Level 2: Fair value is based on observable inputs other than level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes mutual and pooled funds, hedge funds, Government of Canada provincial and other government bonds, Canadian corporate bonds, and certain derivative contracts.

Level 3: Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This category generally includes private equity investments and securities that have liquidity restrictions.

The following table presents as at December 31, the level within the fair value hierarchy for each of the financial assets and liabilities measured at fair value. The table excludes other assets and other liabilities that are valued at their carrying amount, which represents a reasonable approximation of fair value due to their short-term nature.

NOTES TO FINANCIAL STATEMENTS

2012	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Bonds and debentures	-	232,151,976	-	232,151,976
Canadian equities	53,776,091	-	-	53,776,091
Foreign equities	135,360,100	-	-	135,360,100
Pooled equity investment funds	-	60,111,815	-	60,111,815
	189,136,191	292,263,791	-	481,399,982

2011	Level 1($)	Level 2 ($)	Level 3 ($)	Total ($)
Bonds and debentures	-	258,905,107	-	258,905,107
Canadian equities	49,418,791	-	-	49,418,791
Foreign equities	134,960,213	-	-	134,960,213
Pooled equity investment funds	-	56,246,609	-	56,246,609
Short-term investments	-	4,600,578	-	4,600,578
	184,379,004	319,752,294	-	504,131,298

There have been no transfers between Levels 1 and 2 in the reporting period.

Equities

The Plan's equity investments are classified as Level 1 when the security is actively traded and a reliable quote is observable. Certain of the Plan's equities do not trade in an active market and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the investment is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the investment is classified as Level 3.

Bonds and debentures

Bonds, debentures and other interest bearing securities are classified as Level 1 when they are actively traded. They are classified as Level 2 when they are valued using observable inputs, including interest rate curves, credit spreads and volatilities. The market for corporate debt was significantly affected by the ongoing credit crisis, which resulted in inputs being unobservable for certain of the Fund's bonds. Bonds for which significant unobservable data is required in determining fair value have been classified as Level 3.

Short-term notes and treasury bills

Short-term notes and treasury bills are classified as Level 2. These instruments mature within one year and are stated at cost, which, when combined with accrued interest income, approximates fair value.

NOTES TO FINANCIAL STATEMENTS

Equity/Fixed Income Pooled Funds

Units of pooled funds are classified as Level 2. Units of pooled funds are valued at the unit values for transaction purposes supplied by the fund manager, which represent the underlying net assets at fair value, determined using closing market prices, divided by the number of units outstanding. This is the value at which units of the pooled funds can be redeemed or subscribed for by the Plan as at the reporting date.

6. ADMINISTRATIVE EXPENSES

Administrative expenses incurred during the year consist of the following:

	Management	Custodial	2012 Total	2011 Total
	$	$	$	$
Bond Managers				
Ultravest	175,749	11,347	187,096	179,547
Lancaster (bond)	190,532	8,131	198,663	167,896
Subtotal	366,281	19,478	385,759	347,443
Equity Managers				
State Street	79,720	21,526	101,246	97,446
Lancaster (equity)	23,325	4,434	27,759	35,265
Gryphon	156,669	4,198	160,867	141,383
Subtotal	259,714	30,158	289,872	274,094
Other				
Custodian	9,709	-	9,709	13,732
Legal fees	16,779	-	16,779	12,217
Actuarial fees	221,453	-	221,453	240,085
Investment Consultant	50,921	-	50,921	37,030
HST Rebate	-29,514	-	-29,514	-
Other expenses	4,191	-	4,191	38,100
Total administrative expenses	899,534	49,636	949,170	962,701

7. AUDIT FEES

Currently, the Fund Sponsor is paying the annual audit fees.

8. ACTUARIAL VALUATION

The most recent actuarial valuation of the Fund by Mercer was completed as of December 31, 2012 using the projected benefit actuarial method and indicated a going concern basis surplus of $72,288,000 and a solvency basis surplus of $13,391,000.

NOTES TO FINANCIAL STATEMENTS

9. MANAGEMENT OF CAPITAL

The capital of the Fund is represented by the net assets available for benefits. The Fund's objective when managing the capital is to safeguard the ability to continue as a going concern in order to maintain adequate assets to support investment activities of the Fund.

10. RELATED PARTY TRANSACTIONS AND BALANCES

The sponsor, City of Toronto, provides administrative services to the Fund. These services are not charged to the Fund.